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8 Attorneys for Debtors
9 PAUL SANDNER MOLLER and
10 ROSA MARIA MOLLER

11 UNITED STATES BANKRUPTCY COURT
12 EASTERN DISTRICT OF CALIFORNIA
13 SACRAMENTO DIVISION

14 In re

15 PAUL SANDNER MOLLER
16 and ROSA MARIA MOLLER,

17 Debtors

Bankruptcy Case No. 2009-29936-C-11

Chapter 11

D.C.N.: WSB-1

**DECLARATION OF PAUL S. MOLLER
IN SUPPORT OF CONTINUANCE OF
PENDING MOTIONS FOR RELIEF OF
STAY AND CONSIDERATION OF
PLAN OF REORGANIZATION**

Date: March 17, 2010

Time: 9:30 a.m.

**Place: Dept. C, Courtroom 35
6th Floor, 501 I St.**

Sacramento CA (Judge Klein)

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I, PAUL SANDNER MOLLER, DECLARE:

1. I am over eighteen years of age and competent to testify to the matters set forth herein.

Those matters are true of my own personal knowledge unless otherwise stated. If I were called as a witness, my testimony would agree with the contents of this Declaration.

2. I am a Debtor in this matter and I have read and acknowledge all of the documents filed on my behalf in this matter. Other than possible clerical errors or oversight I believe these

1 documents to have been prepared in good faith and truthfully. I have a Doctorate Degree in
2 Engineering and was on the faculty at the University of California, Davis for several years.

3 3. I am familiar with the Motions for Relief of Stay and the Adversary Proceeding in
4 this matter. I adopt all the factual assertions made in this Declaration.

5 4. My wife and I own a 35,000 ft² commercial building on real property located at 1222
6 Research Park Dr, Davis CA 95618 ("Business parcel"). The property was purchased in 1980 and
7 we built the building. My businesses have had ups and downs and the building has been sold
8 and repurchased twice over the years.

9 5. This matter was continued with consent of all movants from February 15, 2010 based
10 on a pending sale of technology for its use in China for several million dollars by Freedom
11 Motors a corporation in which the Debtors are the largest shareholders. The transaction should
12 close by the end of March. A million dollars has been deposited in escrow and agreement has
13 been gained for at least half to be released to Freedom Motors immediately, if the buyer is
14 assured that the Research Park facility is available for prototype and initial engine production
15 using the Rotapower® engine technology.

16 6. Freedom Motors has two significant creditors, the debtors and Moller International. The
17 debtors are the largest shareholder of Moller International. Moller International's largest creditor is the
18 debtors. It can be assumed that 90% or more of the money released to Freedom Motors will flow to the
19 debtors directly or through Moller International. This will result in \$450,000.00 or more available to the
20 debtors.

21 7. Debtors intend to pay the secured creditors a substantial portion of this money and begin
22 making monthly payments equal to those under the loan terms. The proposal is to pay 25% of the money
23 received from the bank to Exchange Bank, the first on the Research Park Property; 25% to Sterling
24 Pacific, the second on the Research Park Property; and 10% to Bayview Financial the third on the Family
25 home and a movant. The balance would be used to begin making the secured monthly payments due
26 beginning on April 1, 2010. Assuming the China escrow closes at the end of March or shortly thereafter,
27 the impact may suggest a revision of the plan of reorganization or agreements may be reached which

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1 allow consideration of the debtors leaving bankruptcy. Again this is contingent on the Exchange Bank
2 and Sterling Pacific not foreclosing on the Research Park facility. This can be accomplished by the Court
3 or by their agreement.

4 7. Engines and other prototypes utilizing the technology have been built on the Business parcel
5 with the specialized tooling and tools installed on the Business parcel. The ability to perform under the
6 proposed licenses will be severely compromised, or this licensing opportunity lost, or delayed if access to
7 the Business parcel is lost and the tooling and tools require moving and setting up at new quarters.

8 8. Moller International, Inc. is a publicly traded company and the Debtors' interest therein was
9 valued at \$4,400,000.00 at time of filing. Since filing the trading price on the over the counter market has
10 risen approximately 50%.

11 9. There are other developments. A private placement by Freedom Motors for sell of an
12 additional 200,000 shares at \$10.00 a share which would raise \$2,000,000.00 is in the works. There are
13 interested parties. This would dilute debtors shares of Freedom Motors but not significantly. It is
14 expected, if this placement is necessary that it would result in funds being available around April 15,
15 2010.

16 10. The program under DARPA to test the Skycar is also moving ahead. Moller International
17 has teamed with Pratt Whitney Rocketdyne on the program. The first phase is \$5,000,000.00, the second
18 phase is \$50,000,000.00 and the third phase will be in excess of \$50,000,000.00. This is more long range
19 in timing.

20
21 Dated: 3/15/10 By: /s/ Paul S. Moller
22 Paul Sandner Moller, Debtor

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